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**FISCAL IMPACT STATEMENT**

**LS 6881**

**BILL NUMBER:** HB 1206

**NOTE PREPARED:** Jan 17, 2014

**BILL AMENDED:** Jan 16, 2014

**SUBJECT:** Insurance Matters.

**FIRST AUTHOR:** Rep. Lehman

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill has the following provisions:

- (1) Removes a requirement for certain insurers to submit individual investments to the Commissioner of Insurance.
- (2) Removes a requirement that a foreign or alien insurer submit an application in duplicate.
- (3) Changes from March 15 to July 1 of each year the due date for certain insurance holding company filings.
- (4) Adds a National Association of Insurance Commissioners (NAIC) provision requiring domestic insurers to perform certain risk-management assessments and submit annual reports concerning the assessments.
- (5) Repeals a provision requiring the Commissioner of Insurance to examine and publish in a newspaper a foreign or alien insurer's annual condensed statement of assets and liabilities.
- (6) Specifies requirements for service contracts.

**Effective Date:** July 1, 2014.

**Explanation of State Expenditures:** This bill (1) enacts NAIC model language governing own risk and solvency assessments (ORSA) for domestic insurers (effective beginning in FY 2016) and (2) provides for governance of automobile service contracts. The Department of Insurance (DOI) reports the provisions of this bill governing automobile service contracts can be implemented with existing staff and resources.

The DOI reports requiring domestic insurers to file ORSAs with the DOI could require additional staff and resources. It is expected that if additional staff and resources are needed, they will be requested during the next budget cycle.

**Explanation of State Revenues:** The bill establishes civil penalties for domestic insurers who fail to timely file an ORSA summary report with the DOI of \$100 for each day of noncompliance with a maximum penalty of \$10,000. Revenue collected from civil penalties would be deposited in the DOI Fund.

The bill also establishes a maximum civil penalty of \$10,000 for automobile service contract providers who violate provisions of the bill. Revenue received from civil penalties would be deposited in the General Fund.

Increases in revenue are indeterminable.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOI.

**Local Agencies Affected:**

**Information Sources:** Tyler Ann McGuffee, DOI; NAIC.

**Fiscal Analyst:** Bill Brumbach, 232-9559.